Dr Nkosazana Dlamini Zuma Local Municipality

VIREMENT POLICY

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1. DEFINITIONS

1.1 In this policy, unless the context indicates otherwise, the following definitions are applied –

a) 'Accounting Officer' means the Municipal Manager for the Municipality within the meaning of Section 82 of the Municipal Structures Act, 1998 (Act No.117 of 1998);

b) 'CFO' means Chief Financial Officer;

c) 'Council' the oversight structure comprising of councilors for Dr Nkosazana Dlamini Zuma Local Municipality;

d) 'MFMA ' means the Municipal Finance Management ct (Act No. 56 of 2003);

e) 'Municipality' means Dr Nkosazana Dlamini Zuma Local Municipality;

f) 'Senior manager' is an official reporting directly to the accounting officer;

g) 'Sub-vote' means a budget for a specific section or area of responsibility as set out within the detailed budget of the municipality;

h) 'Virement' means the transfer of budgetary provision from one budget head or vote to another budget head or vote;

i) 'Vote' means –

   i. One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and

   ii. That specifies the total amount that is appropriated for the purposes of the Department or functional area concerned. The municipality's votes are –
   Executive & Council – Vote 1
   Finance and Administration (BTO) – Vote 2
   Community Services – Vote 3
   Corporate Services – Vote 4
   Infrastructure Services (Public works and basic services) – Vote 5
   Planning & Development – Vote 6

2. OBJECTIVE

2.1 The Municipality resolves in terms of the MFMA to implement a Virement Policy that -

a) Enables the Council, Executive Committee, Portfolio Committees, Accounting Officer, senior managers and their staff, to manage budgets with a degree of flexibility within the overall policy framework determined by the Council; and

b) Optimizes the use of resources by ensuring adequate funding is available to defray expenditure that is incurred in a particular vote or sub-vote by offsetting savings in another, vote or sub-vote or additional revenue.

3. DELEGATION OF VIREMENT POWERS AND DUTIES

3.1 The Council hereby delegates such additional powers and duties to the Accounting Officer so as to enable the Accounting Officer:

a) To discharge the financial management responsibilities conferred on him in terms of –

  i. chapter 8 of the Municipal Finance Management Act; and

  ii. ensuring an effective control system for this virement policy;

b) To maximize administrative and operational efficiency in the implementation of this Policy;

3.2 Sections 79 and 106 of the MFMA apply to the sub-delegation of powers and duties delegated to an accounting officer in terms of paragraph 3.1 of this Policy.

3.3 There can be no virement between capital and operating budgets, at any level, unless approved in advance by the Council.

3.4 Virement from an employee budget to a non-employee budget, and vice versa, is not permitted without the specific prior approval of the Council.

3.5 The Council or accounting officer may not delegate or sub-delegate any virement powers or duties to a person who is not an official of the municipality.

4. SUB-DELEGATIONS

4.1 The Council hereby delegates authority to the accounting officer to approve virement within and between sub-votes up to a cumulative value for the financial year of R1 million or 25% of the total sub-vote (whichever is the lesser amount). Above this level requires Council approval.

4.2 The Accounting Officer may in terms of section 79 or 106 of the MFMA sub-delegate any Virement responsibilities, including those delegated to the Accounting Officer in terms of this Policy, but any such sub-delegation must be consistent with other provisions within this Policy.

4.3 The power to approve a virement.

a) Between votes may not be sub-delegated except as outlined in paragraph 5.1;

b) Above R250 000 but not exceeding R500 000 (cumulative) or 15% of the relevant budget (whichever is less), between different departments or within the same department, and within the same vote, may be sub-delegated by the Accounting Officer, but only to the CFO

c) Up to R250 000 or 15% (cumulative) of a sub-vote, whichever is the lesser amount, may be sub-delegated by the Accounting Officer to senior managers

5. VIREMENT PROCESS

5.1 Virement between votes must be approved by the Council in advance of their implementation, except in the case of an emergency as determined by the Accounting officer including, but not limited to, –

a) Unforeseen and unavoidable expenditure for which no provision was made in the budget; and

b) Expenditure in relation to cases of emergency as described in the Municipality's supply chain management policy; in which case the Accounting Officer must agree the virement with the Mayor and report it to the next council meeting.

5.2 All virement must be reported to Council as required in terms of sections 71 and 72 of the MFMA and, if required, as part of the adjustments budget in accordance with section 28 of the MFMA

5.3 All virement must be reported to, and recorded by, the CFO, Senior managers must provide the CFO with relevant and timely information in accordance with the prescribed format as determined by the CFO

6. COMMENCEMENT OF THIS POLICY

6.1 This Policy will come into effect on the date of adoption by Council.

7. INTERPRETATION OF THIS POLICY

7.1 All words contained in this Policy shall have an ordinary meaning attached thereto, unless the definition or context indicates otherwise.

7.2 Any dispute on interpretation of this Policy shall be declared in writing by any party concerned.

7.3 The Office of the Municipal Manager shall give a final interpretation of this Policy in case of a written dispute.

7.4 If the party concerned is not satisfied with the interpretation, a dispute may then be pursued with the South African Local Government Bargaining Council/ or Arbitration

8. PERMANENT/TEMPORARY WAIVER OR SUSPENSION OF THIS POLICY

8.1 This Policy may be partly or wholly waived or suspended by the Municipal Council on a temporary or permanent basis after consultation with Management and Trade Unions.

8.2 Notwithstanding clause No. 10.1 the Municipal Manager may under circumstances of emergency temporarily waive or suspend this policy subject to reporting of such waiver or suspension to Council and Trade Unions.

9. AMENDMENT AND/OR ABOLITION OF THIS POLICY

9.1 This Policy may be amended or repealed by the Council after consultation with Management and Trade Unions.

10. COMPLIANCE AND ENFORCEMENT

10.1 Violation of or non-compliance with this Policy will give a just cause for disciplinary steps to be taken.

10.2 It will be the responsibility of all Managers, Supervisors, Executive Committee and Council to enforce compliance with this policy.

11. ADOPTION AND APROVAL OF POLICY BY COUNCIL

This Policy is adopted and approved by the Council for implementation.

ADOPTED BY COUNCIL ON THIS _______ DAY OF _________________ 2018

_________________________ _________________

MUNICIPAL MANAGER DATE

APPENDIX TO VIREMENT POLICY

Municipal Finance Management Act, 2003 (Act No.56 of 2003) key sections applicable to virement policy

SECTIONS

Section 15 Appropriation of funds for expenditure

A municipality may, except where otherwise provided in this Act, incur expenditure only –

(a) In terms of the approved budget; and

(b) Within the limits of the amounts appropriated for the different votes in the approved budget.

Section 28 Municipal adjustments budget

1) A municipality may revise an approved annual budget through an adjustments budget.

2) An adjustments budget -

(a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;

(b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;

(c) may, within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;

(d) may authorize the utilization of projected savings in one vote towards spending under another vote;

(e) may authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll -overs when the annual budget for the current year was approved by the council;

(f) may correct any errors in the annual budget; and

(g) may provide for any other expenditure within a prescribed framework.

3) An adjustments budget must be in a prescribed form.

4) Only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of subsection (2) (b) to (g) may only be tabled within any prescribed limitations as to timing or frequency. Adjustments budget must be in a prescribed form.

5) When an adjustments budget is tabled, it must be accompanied by:

(a) an explanation how the adjustments budget affects the annual budget;

(b) a motivation of any material changes to the annual budget;

(c) an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and

(d) any other supporting documentation that may be prescribed.

6) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.

7) Sections 22(b), 23(3) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.

Section 69 Budget implementation

1) The accounting officer of a municipality is responsible for implementing the municipality's approved budget, including taking all reasonable steps to ensure –

(a) That the spending of funds is in accordance with the budget and is reduced as necessary when revenue is anticipated to be less than projected in the budget or in the service delivery and budget implementation plan; and

(b) That revenue and expenditure are properly monitored.

2) When necessary, the accounting officer must prepare an adjustments budget and submit it to the mayor for consideration and tabling in the municipal council.

3) The accounting officer must no later than 14 days after the approval of an annual budget submit to the mayor

(a) A draft service delivery and budget implementation plan for the budget year; and

(b) Drafts of the annual performance agreements as required in terms of section 57(1)(b) of the Municipal Systems Act for the municipal manager and all senior managers

Section 71 Monthly budget statements

1) The accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month –

(a) actual revenue, per revenue source;

(b) actual borrowings;

(c) actual expenditure, per vote;

(d) actual capital expenditure, per vote;

(e) the amount of any allocations received;

(f) actual expenditure on those allocations, excluding expenditure on –

i. any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;

ii. any material variances from the service delivery and budget implementation plan; and

iii. Any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget.

2) The statement must include

(a) A projection of the relevant municipality's revenue and expenditure for the rest of the financial year, and any revisions from initial projections; and

(b) The prescribed information relating to the state of the budget of each municipal entity as provided to the municipality in terms of section 87(10).

3) The amounts reflected in the statement must in each case be compared with the corresponding amounts budgeted for in the municipality's approved budget.

4) The statement to the provincial treasury must be in the format of a signed document and in electronic format.

5) The accounting officer of a municipality which has received an allocation referred to in subsection (1) (e) during any particular month must, by no later than 10 working days after the end of that month, submit that part of the statement reflecting the particulars referred to in subsection (1) (e) and (f) to the national or provincial organ of state or municipality which transferred the allocation.

6) The provincial treasury must by no later than 22 working days after the end of each month submit to the National Treasury a consolidated statement in the prescribed format on the state of the municipalities' budgets, per municipality and per municipal entity.

7) The provincial treasury must, within 30 days after the end of each quarter, make public as may be prescribed, a consolidated statement in the prescribed format on the state of municipalities' budgets per municipality and per municipal entity. The MEC for finance must submit such consolidated statement to the provincial legislature no later than 45 days after the end of each quarter.

Section 72 Mid-year budget and performance assessment

1) The accounting officer of a municipality must by 25 January of each year–

(a) Assess the performance of the municipality during the first half of the Financial year, taking into account:

i. the monthly statements referred to in section 71 for the first half of the Financial year;

ii. the municipality's service delivery performance during the first half of the Financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;

iii. the past year's annual report, and progress on resolving problems identified in the annual report; and

iv. the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and

(b) Submit a report on such assessment to:

i. The mayor of the municipality;

ii. The National Treasury; and

iii. The relevant provincial treasury.

2) The accounting officer must, as part of the reviewal.

a) Make recommendations as to whether an adjustments budget is necessary; and

b) Recommend revised projections for revenue and expenditure to the extent that this may be necessary.